TWIN CEDARS COMMUNITY SCHOOL DISTRICT
BUSSEY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Table of Contents

Twin Cedars Community School District

Officials

NAME	TITLE	TERM EXPIRES
	Board of Education	
Brian Moore	President	2017
Kelly Carlson	Vice-President	2015
Steve Gilkerson	Board Member	2017
Steve Heohns	Board Member	2015
Tom Morgan	Board Member	2015
	School Officials	
Brian Vandersluis	Superintendent	2015
Deb Haselhuhn	District Secretary/ Treasurer/Business Manager	Indefinite
Ahlers Law Firm	Attorney	Indefinite

Twin Cedars Community School District

FALLER, KINCHELOE & CO, PLC
Certified Public Accountants

Independent Auditor's Report

To the Board of Education of
Twin Cedars Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Twin Cedars Community School District (District), Bussey, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

2721 SW 30th Street
Des Moines, Iowa 50321
Phone (515) 362-5672

Joel C. Faller, CPA
Alan Kincheloe, CPA
Ryan Roof, CPA

1001 Office Park Road, Ste. 201
West Des Moines, Iowa 50265
Phone (515) 285-5546

Emphasis of Matter

As discussed in Note 15 to the financial statements, the District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 8 through 17 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Faller, Kincheloe & Co, PLC

Faller, Kincheloe & Co., PLC

Des Moines, Iowa
March 3, 2016

Basic Financial Statements

MANAGEMENT'S DISCUSSION AND ANALYSIS

Twin Cedars Community School District (District) provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $4,103,494 in fiscal year 2014 to $4,301,551 in fiscal year 2015, while General Fund expenditures decreased from $4,671,596 in fiscal year 2014 to $4,204,902 in fiscal year 2015. The District's General Fund balance increased from $16,680 at the end of fiscal year 2014 to $113,329 at the end of fiscal year 2015, a 579.43% increase.

- The fiscal year 2015 General Fund revenue increase was attributable to an increase in the Instructional Support Levy and Cash Reserve Levy. The decrease in expenditures was due primarily to district wide reduction in staff and careful monitor of expenditures.

- The District continues to make significant improvements to its facilities and equipment, including technology, from the use of Physical Plant and Equipment Levy funds and the Statewide Sales, Services and Use Tax funds.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how government services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Twin Cedars Community School District Annual Financial Report

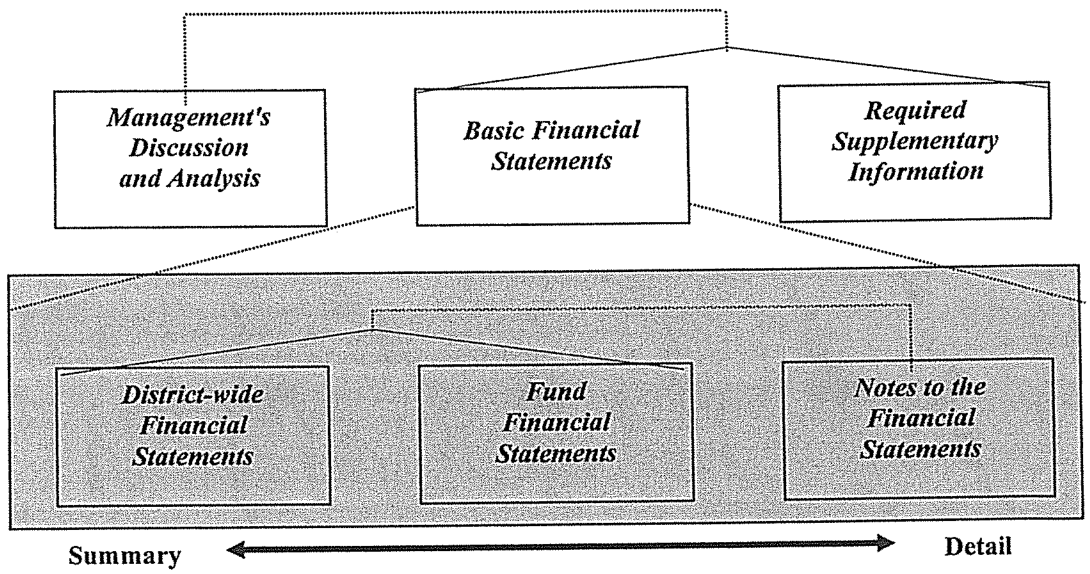

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures and changes in fund balances	• Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

   The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

   The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

   The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3
Condensed Statement of Net Position
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Current and other assets	$ 3,321	2,645	22	59	3,343	2,704	23.6%
Capital assets	2,429	2,508	44	51	2,473	2,559	-3.4%
Total assets	5,750	5,153	66	110	5,816	5,263	10.5%
Deferrred outflows of resources	345	-	13	-	358	-	100.0%
Long-term liabilities	2,013	417	61	-	2,074	417	397.4%
Other liabilities	507	572	3	2	510	574	-11.1%
Total liabilities	2,520	989	64	2	2,584	991	160.7%
Deferred inflows of resources	2,513	1,577	23	-	2,536	1,577	60.8%
Net position:							
Net investment in capital assets	2,429	2,508	44	51	2,473	2,559	-3.4%
Restricted	700	492	-	-	700	492	42.3%
Unrestricted	(2,067)	(413)	(52)	57	(2,119)	(356)	495.2%
Total net position	$ 1,062	2,587	(8)	108	1,054	2,695	-60.9%

The District's combined net position decreased by nearly 60.9%, or approximately $1,641,000, from the prior year. A large portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately $208,000, or 42.3% from the prior year. The increase was mainly due to the accumulation of the local option sales tax revenue.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately $1,763,000 or 495.2%. This reduction in unrestricted net position was primarily a result of the District's net pension liability and net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by $1,988,011 and $74,242, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4
Changes in Net Position
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Revenues:							
Program revenues:							
Charges for service	$ 470	471	88	95	558	566	-1.4%
Operating grants, contributions and restricted interest	673	616	124	129	797	745	7.0%
General revenues:							
Property tax	1,580	1,401	-	-	1,580	1,401	12.8%
Income surtax	166	61	-	-	166	61	172.1%
Statewide sales, services and use tax	375	349	-	-	375	349	7.4%
Unrestricted state grants	1,754	1,736	-	-	1,754	1,736	1.0%
Unrestricted investment earnings	1	1	-	-	1	1	0.0%
Other	39	71	-	-	39	71	-45.1%
Total revenues	5,058	4,706	212	224	5,270	4,930	6.9%
Program expenses:							
Governmental activities:							
Instruction	2,985	3,505	-	-	2,985	3,505	-14.8%
Support services	1,385	1,415	-	-	1,385	1,415	-2.1%
Non-instructional programs	1	1	254	250	255	251	1.6%
Other expenses	224	306	-	-	224	306	-26.8%
Total expenses	4,595	5,227	254	250	4,849	5,477	-11.5%
Change in net position	463	(521)	(42)	(26)	421	(547)	100.0%
Net position beginning of year	599	3,108	34	134	633	3,242	-80.5%
Net position end of year	$ 1,062	2,587	(8)	108	1,054	2,695	-60.9%

In fiscal year 2015, property tax and unrestricted state grants accounted for 65.9% of the revenue from governmental activities while charges for service and operating grants and contributions account for 100.0% of the revenue from the business type activities.

The District's total revenues were approximately $5.27 million of which approximately $5.058 million was for governmental activities and approximately $212,000 was for business type activities.

As shown in figure A-4, the District as a whole experienced a 6.9% increase in revenues and an 11.5% decrease in expenses. The decrease in expenses was primarily due reduction in full time staff. The increase in revenue was due to an increase in property taxes and income surtaxes. The District also increased the Instructional Support Levy to the maximum 10%.

Governmental Activities

Revenues for governmental activities were $5,058,730 and expenses were $4,595,172 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2015	2014	Change 2014-2015	2015	2014	Change 2014-2015
Instruction	$ 2,985	3,505	-14.8%	2,001	2,575	-22.3%
Support services	1,385	1,415	-2.1%	1,377	1,407	-2.1%
Non-instructional programs	1	1	0.0%	1	1	0.0%
Other expenses	224	306	-26.8%	73	157	-53.5%
Totals	$ 4,595	5,227	-12.1%	3,452	4,140	-16.6%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was $470,009. This is mainly open enrollment and special education tuition in revenue.
- Federal and state governments subsidized certain programs with grants and contributions totaling $672,694.
- The net cost of governmental activities was financed with $2,122,111 in property and other taxes and $1,753,838 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were $211,864 representing a 5.3% decrease under the prior year while expenses totaled $253,649, a 1.52% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues for these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of $755,559 well above last year's ending fund balances of $411,020.

The fund balance increase is primarily due to an increase in General Fund revenue from increased Instructional Support Levy rate and increased Cash Reserve Levy. The District also had a significant decrease in personnel by way of reduction in full time status.

Governmental Fund Highlights

- The District's General Fund financial position improved in fiscal year 2015. We have attempted to match revenues with expenditures in order to avoid deficit spending. The District raised taxes and cut staff significantly. The staff and administration have worked hard to keep costs to a minimum while still offering our students the best education possible.

- The General Fund balance increased from $16,680 to $113,329 a 579.43% increase. This increase was due to an increase in revenue and a decrease in expenses.

- The Capital Projects Fund balance increased from $349,485 at the end of fiscal year 2014 to $550,076 at the end of fiscal year 2015. The increase can be attributed to the accumulation of funds from the Statewide local option sales tax program for school infrastructure.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from $33,904 at June 30, 2014 to ($7,881) at June 30, 2015. The District has worked hard to not stockpile supplies and to be efficient in the preparation and serving of the food. We hope through the continued use of sound purchasing practices we are able to keep the costs down. With the trend of declining enrollment, revenue is decreased because fewer meals are being served. However, the District also reflected the related expenses for the net OPEB liability, which caused an overall reduction of net position.

BUDGETARY HIGHLIGHTS

The District's revenues were $163,527 less than budgeted revenues, a variance of -3.07%. The most significant variance resulted from the District receiving less money from local sources than originally anticipated, mainly due to not knowing until when school starts the total number of tuition in students.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately $2.429 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 3.4% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was $211,427 for both governmental and business type activities.

The original cost of the District's capital assets was approximately $6.15 million. Governmental funds account for approximately $6.01 million, with the remainder of approximately $142,000 accounted for in the Proprietary, School Nutrition Fund.

During the year, the increases in assets were the costs incurred for new vehicles and equipment. The decrease in net assets during the year was due to depreciation expense in excess of new purchases for the year.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	$ 22	22	-	-	22	22	0.0%
Buildings	1,215	1,269	-	-	1,215	1,269	-4.3%
Improvements other than buildings	668	723	-	-	668	723	-7.6%
Furniture and equipment	524	494	44	51	568	545	4.2%
Totals	$ 2,429	2,508	44	51	2,473	2,559	-3.4%

Long-Term Debt

At June 30, 2015, the District had $0 in long-term debt outstanding.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District experienced a decrease in enrollment by 16.3 students in the fall of 2015. The District has gone from serving 502 students in 2006 to 343 in 2015, a decrease of 159 students. This will negatively affect our General Fund balances in the future.

- The District has taken measures to maintain the current facilities. The District is currently free from any debt obligations.

- Fiscal 2016 negotiations with the Professional Educators of Twin Cedars for the 2015-16 school year took more money than the new monies received by the District. The District will negotiate a new agreement during fiscal 2016 for the 2016-2017 school year. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Because of the District's decline in enrollment, this will significantly impact General Fund balances.

- The District is going to continue to decrease staff and cut expenditures in an attempt to lower over all district costs. The Districts budget authority is in serious decline. The District will have to ask patrons for a significant increase in cash reserve levy in fiscal year 2017 to attempt to remedy the cash flow problem.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brian VanderSluis, Superintendent, Twin Cedars Community School District, 2204 HWY G71, Bussey, Iowa, 50044.

Basic Financial Statements

Twin Cedars Community School District

Exhibit A

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	$ 1,085,459	14,821	1,100,280
Receivables:			
Property tax:			
Delinquent	29,991	-	29,991
Succeeding year	1,893,597	-	1,893,597
Accounts	699	-	699
Due from other governments	310,735	-	310,735
Inventories	-	6,937	6,937
Capital assets, net of accumulated depreciation	2,429,155	44,298	2,473,453
Total assets	5,749,636	66,056	5,815,692
Deferred Outflows of Resources			
Pension Related deferred outflows	345,614	12,906	358,520
Liabilities			
Accounts payable	21,917	-	21,917
Salaries and benefits payable	375,636	1,834	377,470
Advances from grantors	22,138	-	22,138
Due to other governments	87,011	-	87,011
Unearned revenue	-	1,233	1,233
Long-term liabilities:			
Portion due within one year:			
Early retirement	18,914	-	18,914
Compensated absences	7,389	-	7,389
Portion due after one year:			
Early retirement	14,579	-	14,579
Net pension liability	1,623,992	60,647	1,684,639
Net OPEB liability	348,582	-	348,582
Total liabilities	2,520,158	63,714	2,583,872
Deferred Inflows of Resources			
Unavailable property tax revenue	1,893,597	-	1,893,597
Pension related deferred inflows	619,349	23,129	642,478
Total deferred inflows of resources	2,512,946	23,129	2,536,075
Net position			
Net investment in capital assets	2,429,155	44,298	2,473,453
Restricted for:			
Categorical funding	57,476	-	57,476
Management levy purposes	40,019	-	40,019
Student activities	52,135	-	52,135
School infrastructure	539,629	-	539,629
Physical plant and equipment	10,447	-	10,447
Unrestricted	(2,066,715)	(52,179)	(2,118,894)
Total net position	$ 1,062,146	(7,881)	1,054,265

See notes to financial statements.

Twin Cedars Community School District

Exhibit B

Statement of Activities

Year ended June 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Instruction:							
Regular instruction	$ 1,789,902	292,303	350,218	-	(1,147,381)	-	(1,147,381)
Special instruction	521,409	49,144	152,895	-	(319,370)	-	(319,370)
Other instruction	673,682	128,562	10,408	-	(534,712)	-	(534,712)
	2,984,993	470,009	513,521	-	(2,001,463)	-	(2,001,463)
Support services:							
Student	97,437	-	-	-	(97,437)	-	(97,437)
Instructional staff	124,580	-	-	-	(124,580)	-	(124,580)
Administration	425,166	-	-	-	(425,166)	-	(425,166)
Operation and maintenance of plant	430,833	-	-	-	(430,833)	-	(430,833)
Transportation	307,267	-	8,765	-	(298,502)	-	(298,502)
	1,385,283	-	8,765	-	(1,376,518)	-	(1,376,518)
Non-instructional programs	1,115	-	-	-	(1,115)	-	(1,115)
Other expenditures:							
Facilities acquisition	19,559	-	-	-	(19,559)	-	(19,559)
AEA flowthrough	150,408	-	150,408	-	-	-	-
Depreciation (unallocated)*	53,814	-	-	-	(53,814)	-	(53,814)
	223,781	-	150,408	-	(73,373)	-	(73,373)
Total governmental activities	4,595,172	470,009	672,694	-	(3,452,469)	-	(3,452,469)
Business type activities:							
Non-instructional programs:							
Food service operations	253,649	87,461	124,098	-	-	(42,090)	(42,090)
Total	$ 4,848,821	557,470	796,792	-	(3,452,469)	(42,090)	(3,494,559)
General Revenues:							
Property tax levied for:							
General purposes					$ 1,580,527	-	1,580,527
Statewide sales, services and use tax					375,051	-	375,051
Income surtax					166,533	-	166,533
Unrestricted state grants					1,753,838	-	1,753,838
Unrestricted investment earnings					832	305	1,137
Other					39,246	-	39,246
Total general revenues					3,916,027	305	3,916,332
Change in net position					463,558	(41,785)	421,773
Net position beginning of year, as restated					598,588	33,904	632,492
Net position end of year					$ 1,062,146	(7,881)	1,054,265

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Twin Cedars Community School District

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2015

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and cash equivalents	$ 497,924	493,540	93,995	1,085,459
Receivables:				
Property tax:				
Delinquent	27,138	-	2,853	29,991
Succeeding year	1,763,597	-	130,000	1,893,597
Accounts	699	-	-	699
Due from other funds	-	1,674	-	1,674
Due from other governments	252,441	58,294	-	310,735
Total assets	$ 2,541,799	553,508	226,848	3,322,155
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ 13,791	3,432	4,694	21,917
Salaries and benefits payable	375,636	-	-	375,636
Advances from grantors	22,138	-	-	22,138
Due to other governments	87,011	-	-	87,011
Due to other funds	1,674	-	-	1,674
Total liabilities	500,250	3,432	4,694	508,376
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,763,597	-	130,000	1,893,597
Other	164,623	-	-	164,623
Total deferred inflows of resources	1,928,220	-	130,000	2,058,220
Fund balances:				
Restricted for:				
Categorical funding	57,476	-	-	57,476
Management levy purposes	-	-	40,019	40,019
Student activities	-	-	52,135	52,135
School infrastructure	-	539,629	-	539,629
Physical plant and equipment	-	10,447	-	10,447
Unassigned	55,853	-	-	55,853
Total fund balances	113,329	550,076	92,154	755,559
Total liabilities, deferred inflows of resources and fund balances	$ 2,541,799	553,508	226,848	3,322,155

See notes to financial statements.

Twin Cedars Community School District

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2015

Total fund balances of governmental funds (page 21)		$ 755,559
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		2,429,155
Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		164,623
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	$ 345,614	
Deferred inflows of resources	(619,349)	(273,735)
Long-term liabilities, including early retirement, compensated absences payable, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(2,013,456)
Net positon of governmental activities (page 19)		$ 1,062,146

See notes to financial statements.

Twin Cedars Community School District

Exhibit E

Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2015

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	$ 1,500,279	-	149,917	1,650,196
Tuition	335,733	-	-	335,733
Other	27,786	370	128,562	156,718
State sources	2,278,912	375,051	287	2,654,250
Federal sources	152,086	-	-	152,086
Total revenues	4,294,796	375,421	278,766	4,948,983
Expenditures:				
Current:				
Instruction:				
Regular	1,793,197	11,886	40,048	1,845,131
Special	544,289	-	3,731	548,020
Other	530,167	1,248	150,365	681,780
	2,867,653	13,134	194,144	3,074,931
Support services:				
Student	90,508	-	806	91,314
Instructional staff	118,316	-	1,106	119,422
Administration	426,375	-	15,513	441,888
Operation and maintenance of plant	328,343	7,845	34,610	370,798
Transportation	223,299	134,292	14,173	371,764
	1,186,841	142,137	66,208	1,395,186
Non-instructional programs	-	-	1,115	1,115
Other expenditures:				
Facilities acquisition	-	19,559	-	19,559
AEA flowthrough	150,408	-	-	150,408
	150,408	19,559	-	169,967
Total expenditures	4,204,902	174,830	261,467	4,641,199
Excess of revenues over expenditures	89,894	200,591	17,299	307,784
Other financing sources (uses):				
Sale of capital assets	6,755	-	-	6,755
Total other financing sources (uses)	6,755	-	-	6,755
Change in fund balances	96,649	200,591	17,299	314,539
Fund balances beginning of year	16,680	349,485	74,855	441,020
Fund balances end of year	$ 113,329	550,076	92,154	755,559

See notes to financial statements.

Twin Cedars Community School District

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year ended June 30, 2015

Net change in fund balances - total governmental funds (page 23)		$ 314,539
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures were less than depreciation expense in the current year, as follows:		
Expenditures for capital assets	$ 134,292	
Depreciation expense	(201,743)	(67,451)
In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.		(10,938)
Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds.		109,752
The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Postion.		220,260
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement	23,488	
Compensated absences	224	
Pension expense	(129,972)	
Other postemployment benefits	3,656	(102,604)
Change in net position of governmental activities (page 20)		$ 463,558

See notes to financial statements.

Twin Cedars Community School District

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2015

	Enterprise, School Nutrition
Assets	
Current assets:	
Cash and cash equivalents	$ 14,821
Inventories	6,937
Total current assets	21,758
Noncurrent assets:	
Capital assets, net of accumulated depreciation	44,298
Total noncurrent assets	44,298
Total assets	66,056
Deferred Outflows of Resources	
Pension related deferred outflows	12,906
Liabilities	
Current liabilities:	
Salaries and benefits payable	1,834
Unearned revenue	1,233
Total current liabilities	3,067
Noncurrent liabilities:	
Net pension liability	60,647
Total noncurrent liabilities	60,647
Total liabilities	63,714
Deferred Inflows of Resources	
Pension related deferred inflows	23,129
Net Position	
Net investment in capital assets	44,298
Unrestricted	(52,179)
Total net position	$ (7,881)

See notes to financial statements.

Twin Cedars Community School District

Exhibit H

Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2015

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	$ 87,461
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	98,218
Benefits	16,467
Purchased services	1,814
Supplies	127,466
Depreciation	9,684
Total operating expenses	253,649
Operating loss	(166,188)
Non-operating revenues:	
State sources	1,815
Federal sources	122,283
Interest income	305
Total non-operating revenues	124,403
(Decrease) in net position	(41,785)
Net position beginning of year, as restated	33,904
Net position end of year	$ (7,881)

See notes to financial statements.

Twin Cedars Community School District

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	$ 88,622
Cash paid to employees for services	(117,903)
Cash paid to suppliers for goods and services	(106,654)
Net cash used by operating activities	(135,935)
Cash flows from non-capital financing activities:	
State grants received	1,815
Federal grants received	106,784
Net cash provided by non-capital financing activities	108,599
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(3,180)
Cash flows from investing activities:	
Interest on investments	305
Net (decrease) in cash and cash equivalents	(30,211)
Cash and cash equivalents beginning of year	45,032
Cash and cash equivalents end of year	$ 14,821
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (166,188)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	15,499
Depreciation	9,684
Decrease in inventories	7,127
Decrease in due from other governments	170
Increase in salaries and benefits payable	154
Decrease in net pension liability	(22,530)
Increase in deferrred outflows of resources	(3,971)
Increase in deferrred inflows of resources	23,129
Increase in unearned revenue	991
Net cash used by operating activities	$ (135,935)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2015, the District received $15,499 of federal commodities.

See notes to financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Twin Cedars Community School District (District) is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Bussey, Iowa, and the predominate agricultural territory in Marion and Mahaska Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marion County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District proprietary fund is the Enterprise, School Nutrition Fund, a major fund of the District. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents - The cash balances of most District funds are pooled and invested.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles are reported in applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50
Improvements other than buildings	20-50
Intangibles	5-10
Furniture and equipment	5-15

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers and other school personnel with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Unearned Revenue – Unearned revenues are monies collected for meals that have not yet been served. The meal account balances will either be reimbursed, or will be used when meals are served. The meal account balances are reflected in the Statement of Net Position in the Proprietary, School Nutrition Fund.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of income surtax, as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the non-instructional programs function.

(2) CASH AND CASH EQUIVALENTS

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivable and payable at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects	General	$ 1,674

The above represents the correction of a recording error that was not discovered until fiscal year 2016.

(4) IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by an annual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the fiscal year. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The Series 2014-2015 ONE included taxable warrants only. The interest rates on the Series 2014-2015 ONE warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 105 basis points. The LIBOR rate at June 30, 2015 was 0.1859%. A summary of the District's ISCAP activity for the year ended June 30, 2015 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advance Paid	Balance End of Year
2014-15 ONE	6/27/2014	12/1/2015	$ -	180,000	180,000	-
			$ -	180,000	180,000	-

During the year ended June 30, 2015, the District paid $459 of interest on the ISCAP warrants.

(5) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 22,375	-	-	22,375
Total capital assets not being depreciated	22,375	-	-	22,375
Capital assets being depreciated:				
Buildings	3,610,402	-	-	3,610,402
Improvements other than buildings	1,191,140	-	-	1,191,140
Furniture and equipment	1,066,979	134,292	17,495	1,183,776
Total capital assets being depreciated	5,868,521	134,292	17,495	5,985,318
Less accumulated depreciation for:				
Buildings	2,341,789	53,814	-	2,395,603
Improvements other than buildings	468,593	54,473	-	523,066
Furniture and equipment	572,974	93,456	6,561	659,869
Total accumulated depreciation	3,383,356	201,743	6,561	3,578,538
Total capital assets being depreciated, net	2,485,165	(67,451)	10,934	2,406,780
Governmental activities capital assets, net	$ 2,507,540	(67,451)	10,934	2,429,155

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	$ 139,182	3,180	-	142,362
Less accumulated depreciation	88,380	9,684	-	98,064
Business type activities capital assets, net	$ 50,802	(6,504)	-	44,298

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Other	$ 6,063
Support services:	
Administration	7,683
Operation and maintenance of plant	64,393
Transportation	69,790
	147,929
Unallocated	53,814
Total depreciation expense - governmental activities	$ 201,743
Business type activities:	
Food service operations	$ 9,684

(6) LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	$ 56,981	-	23,488	33,493	18,914
Compensated absences	7,613	7,389	7,613	7,389	7,389
Net pension liability	2,227,293	-	603,301	1,623,992	-
Net OPEB liability	352,238	16,189	19,845	348,582	-
Total	$ 2,644,125	23,578	654,247	2,013,456	26,303

	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net pension liability	$ 83,177	-	22,530	60,647	-
Total	$ 83,177	-	22,530	60,647	-

Early Retirement

A. In March 2011, the District approved a voluntary early retirement plan for employees. Eligible employees must have completed 30 consecutive years of full-time service to the District and must be at least age 55 on or before June 30 of the year in which the licensed employee wishes to retire. The application for early retirement was subject to approval by the Board of Education.

Upon retirement, the licensed employee is eligible to continue participation in the District's group insurance plan at the District's expense for 62 months or until the employee is eligible for Medicare, whichever comes first, by meeting the requirements of the insurer.

At June 30, 2015, the District has obligations to two participants with a total liability of $12,609. Actual early retirement expenditures under this plan for the year ended June 30, 2015 totaled $10,357. Only employees retiring at the end of the 2010-2011 school year were eligible for this plan.

B. In February 2012, the District approved a voluntary early retirement plan for employees. Eligible employees must have completed 30 consecutive years of full-time service to the District and must be at least age 55 on or before June 30 of the year in which the licensed employee wishes to retire. The application for early retirement was subject to approval by the Board of Education.

Upon retirement, the licensed employee is eligible to continue participation in the District's group insurance plan at the District's expense for 60 months or until the employee is eligible for Medicare, whichever comes first, by meeting the requirements of the insurer.

At June 30, 2015, the District has obligations to one participant with a total liability of $10,245. Actual early retirement expenditures under this plan for the year ended June 30, 2015 totaled $5,178. Only employees retiring at the end of the 2011-2012 school year were eligible for this plan.

C. In February 2014, the District approved a voluntary early retirement plan for employees. Eligible employees must have completed 25 consecutive years of full-time service to the District and must be at least age 55 on or before June 30 of the year in which the licensed employee wishes to retire. The application for early retirement was subject to approval by the Board of Education.

Upon retirement, the licensed employee is eligible to continue participation in the District's group insurance plan at the District's expense, up to a maximum of $600 per month for 37 months or until the employee is eligible for Medicare, whichever comes first, by meeting the requirements of the insurer.

At June 30, 2015, the District has obligations to one participant with a total liability of $10,639. Actual early retirement expenditures under this plan for the year ended June 30, 2015 totaled $4,309. Only employees retiring at the end of the 2013-2014 school year were eligible for this plan.

There were no new participants in the early retirement program in fiscal year 2015. The total liability was adjusted in fiscal year 2015 to account for the change in premiums in the year.

(7) OPERATING LEASE

The District entered into a lease on January 23, 2012 to lease copier equipment, which includes maintenance service, at $2,623 per month. The lease has been classified as an operating lease and, accordingly, all rents are charged to expense as incurred. The lease expires on January 23, 2017.

The following is a schedule of future payments required under the operating lease which has an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2015:

Year Ended June 30,	Amount
2016	$ 30,518
2017	17,803
	$ 48,321

During the fiscal year, total expenditures incurred in relation to this lease agreement were $31,256.

(8) PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55.The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were $228,484.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability for its proportionate share of the collective net pension liability totaled $1,684,639. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the collective net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.041626 percent, which was an increase of 0.000819 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the District recognized pension expense of $134,824. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 18,309	-
Changes of assumptions	74,347	-
Net difference between projected and actual earnings on pension plan investments	-	642,473
Changes in proportion and diffferences between District contributions and proportionate share of contributions	37,380	-
District contributions subsequent to the measurement date	228,484	-
Total	$ 358,520	642,473

$228,484 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	$ (130,236)
2017	(130,236)
2018	(130,236)
2019	(130,236)
2020	8,507
	$ (512,437)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	**Asset Allocation**	**Long-Term Expected Real Rate of Return**
US Equity	23 %	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	$3,183,079	1,684,639	419,801

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of $0 for legally required employer contributions and $0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(9) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 36 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially-insured plan with United Healthcare, with the District covering the difference in deductible amounts for purchased plans with those paid by employees. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	$ 14,212
Interest on net OPEB obligation	15,852
Adjustment to annual required contribution	(13,875)
Annual OPEB cost	16,189
Contributions made	(19,845)
Decrease in net OPEB obligation	(3,656)
Net OPEB obligation beginning of year	352,238
Net OPEB obligation end of year	$ 348,582

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed $19,845 to the medical plan. Plan members eligible for benefits contributed $6,245, or 24% of the premium cost.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$ 16,916	91.0%	$ 353,216
2014	16,193	106.0%	352,238
2015	16,189	122.5%	348,582

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2015, the actuarial accrued liability was $128,487, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $128,487. The covered payroll (annual payroll of active employees covered by the plan) was approximately $1,494,000 and the ratio of the UAAL to covered payroll was 8.6%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy.

Mortality rates are from the *Life Expectancy Table* from National Center for Health Statistics updated in 2008, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the table 1 in GASB Statement 45.

Projected claim costs of the medical plan are $481 per month for retirees less than age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District has a partially self-funded health insurance program. The District funds the difference between the deductible and out-of-pocket maximum on the plan chosen by the employee and the plan actually purchased by the District, per plan. This difference consists of a maximum District cost of $4,000 for a single plan and $8,000 for a family plan. The District incurred $7,383 in costs related to this program for the year ended June 30, 2015. The District funds these costs from the General Fund as claims are incurred.

(11) AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled $150,408 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) CATEGORICAL FUNDING

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Beginning teacher mentoring and induction program	$ 4,132
Educator quality, market factor	3,315
Educator quality, professional development	28,913
Teacher quality basic	1,113
Teacher quality, core cirriculum	8,158
Teacher leadership grants	2,870
Four-year old preschool state aid	8,975
Total	$ 57,476

(13) DEFICIT UNRESTRCITED NET POSITION

In the Statement of Net Position, the District had a deficit unrestricted net position in its Governmental Activities of $2,066,715 and a deficit unrestricted net position in its Business Type Activities of $52,179 at June 30, 2015. The reason for these deficit net positions is due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 during fiscal year, which requires all school districts and other governmental entities in the state of Iowa who contribute to IPERS to show their proportionate share of the IPERS funding deficit as a liability on each entity's financials beginning in fiscal year 2015.

(14) SUBSEQUENT EVENTS

The District has evaluated subsequent events through March 3, 2016, which is the date the financial statements were available to be issued.

(15) ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB Statement No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

		Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	$	2,586,599	108,146
Net pension liability at June 30, 2014		(2,227,293)	(83,177)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date		239,282	8,935
Net position July 1, 2014, as restated	$	598,588	33,904

Required Supplementary Information

Twin Cedars Community School District

Budgetary Comparison Schedule of
Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original/Final	Final to Actual Variance
Revenues:					
Local sources	$ 2,142,647	87,766	2,230,413	2,678,416	(448,003)
State sources	2,654,250	1,815	2,656,065	2,321,474	334,591
Federal sources	152,086	122,283	274,369	324,484	(50,115)
Total revenues	4,948,983	211,864	5,160,847	5,324,374	(163,527)
Expenditures/Expenses:					
Instruction	3,074,931	-	3,074,931	3,529,769	454,838
Support services	1,395,186	-	1,395,186	1,743,600	348,414
Non-instructional programs	1,115	253,649	254,764	240,357	(14,407)
Other expenditures	169,967	-	169,967	302,012	132,045
Total expenditures/expenses	4,641,199	253,649	4,894,848	5,815,738	920,890
Excess (deficiency) of revenues over (under) expenditures/expenses	307,784	(41,785)	265,999	(491,364)	757,363
Other financing sources, net	6,755	-	6,755	72,000	(65,245)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	314,539	(41,785)	272,754	(419,364)	692,118
Balances beginning of year, as restated	441,020	33,904	474,924	438,418	36,506
Balances end of year	$ 755,559	(7,881)	747,678	19,054	728,624

See accompanying independent auditor's report.

Twin Cedars Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The Twin Cedars Community School District's (District) budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt a budget amendment.

During the year ended June 30, 2015, expenditures in the non-instructional programs function exceeded the amounts budgeted.

Twin Cedars Community School District

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	2015
District's proportion of the net pension liability	0.041626%
District's proportionate share of the net pension liability	$ 1,685
District's covered employee payroll	$ 2,780
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.62%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Twin Cedars Community School District

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Required Supplementary Information

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	$ 228	248	229	210	183	173	167	144	129	125
Contributions in relation to the statutorily required contribution	(228)	(248)	(229)	(210)	(183)	(173)	(167)	(144)	(129)	(125)
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	$ 2,571	2,780	2,639	2,602	2,633	2,602	2,630	2,380	2,243	2,174
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying independent auditor's report.

Twin Cedars Community School District

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Twin Cedars Community School District

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	$ 1,044	1,044	0.0%	$ 2,655	39.3%
2011	July 1, 2009	-	1,044	1,044	0.0%	2,692	38.8%
2012	July 1, 2009	-	1,044	1,044	0.0%	2,624	39.8%
2013	July 1, 2012	-	128	128	0.0%	1,851	6.9%
2014	July 1, 2012	-	128	128	0.0%	1,634	7.9%
2015	July 1, 2012	-	128	128	0.0%	1,494	8.6%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Twin Cedars Community School District

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

	Special Revenue		
	Student Activity	Management Levy	Total
Assets			
Cash and cash equivalents	$ 56,829	37,166	93,995
Receivables:			
Property tax:			
Delinquent	-	2,853	2,853
Succeeding year	-	130,000	130,000
Total assets	$ 56,829	170,019	226,848
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ 4,694	-	4,694
Total liabilities	4,694	-	4,694
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	130,000	130,000
Total deferred inflows of resources	-	130,000	130,000
Fund balances:			
Restricted for:			
Management levy purposes	-	40,019	40,019
Student activities	52,135	-	52,135
Total fund balances	52,135	40,019	92,154
Total liabilities, deferred inflows of resources and fund balances	$ 56,829	170,019	226,848

See accompanying independent auditor's report.

Twin Cedars Community School District

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2015

	Special Revenue		
	Student Activity	Management Levy	Total
Revenues:			
Local sources:			
Local tax	$ -	149,917	149,917
Other	128,562	-	128,562
State sources	-	287	287
Total revenues	128,562	150,204	278,766
Expenditures:			
Current:			
Instruction:			
Regular	-	40,048	40,048
Special	-	3,731	3,731
Other	145,962	4,403	150,365
Support services:			
Student	-	806	806
Instructional staff	-	1,106	1,106
Administration	-	15,513	15,513
Operation and maintenance of plant	-	34,610	34,610
Transportation	-	14,173	14,173
Non-instructional programs	-	1,115	1,115
Total expenditures	145,962	115,505	261,467
Change in fund balances	(17,400)	34,699	17,299
Fund balances beginning of year	69,535	5,320	74,855
Fund balances end of year	$ 52,135	40,019	92,154

See accompanying independent auditor's report.

Twin Cedars Community School District

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
High School Tag	$ 490	601	615	-	476
Co-Ed Athletics	(27)	13,290	12,387	-	876
Boys Athletics	15,408	31,338	39,691	-	7,055
Boys Basketball	(205)	199	200	-	(206)
Football	5,489	4,425	6,451	-	3,463
Baseball	4,251	3,153	3,285	-	4,119
Girls Athletics	2,929	11,939	12,410	-	2,458
Softball	1,751	146	1,353	-	544
Activity Tickets	450	120	103	-	467
Boys Track	338	1,891	998	-	1,231
Girls Basketball	413	-	-	-	413
Volleyball	7,524	2,247	3,790	-	5,981
Pep Club	209	432	558	-	83
Yearbook	10,517	5,458	8,543	-	7,432
FFA	1,823	27,022	28,841	-	4
High School Student Council	913	1,167	505	-	1,575
Elementary Student Council	4,319	3,570	2,498	-	5,391
Elementary Fundraisers	1,799	1,137	1,146	-	1,790
Technology Club	101	961	915	-	147
Archery Club	36	-	-	-	36
National Honor Society	309	1,024	846	-	487
High School Music	136	-	100	-	36
High School Colorguard	8	-	-	-	8
Class of 2014	5,264	-	5,264	-	-
Class of 2015	73	11,538	8,744	-	2,867
Class of 2016	18	1,922	1,693	-	247
Art Club	(53)	748	692	-	3
Cheerleaders	1,743	2,738	1,321	-	3,160
Drill Team	3,509	1,496	3,013	-	1,992
Total	$ 69,535	128,562	145,962	-	52,135

See accompanying independent auditor's report.

Twin Cedars Community School District

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and cash equivalents	$ 483,093	10,447	493,540
Due from other funds	1,674	-	1,674
Due from other governments	58,294	-	58,294
Total assets	$ 543,061	10,447	553,508
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 3,432	-	3,432
Total liabilities	3,432	-	3,432
Fund balances:			
Restricted for:			
School infrastructure	539,629	-	539,629
Physical plant and equipment	-	10,447	10,447
Total fund balances	539,629	10,447	550,076
Total liabilities and fund balances	$ 543,061	10,447	553,508

See accompanying independent auditor's report.

Twin Cedars Community School District

Schedule 5

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Capital Project Accounts

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Other	$ -	370	370
State sources	375,051	-	375,051
Total revenues	375,051	370	375,421
Expenditures:			
Current:			
Instruction:			
Regular	-	11,886	11,886
Other	-	1,248	1,248
Support services:			
Operation and maintenance of plant	-	7,845	7,845
Transportation	134,292	-	134,292
Other expenditures:			
Facilities acquisition	17,893	1,666	19,559
Total expenditures	152,185	22,645	174,830
Change in fund balances	222,866	(22,275)	200,591
Fund balances beginning of year	316,763	32,722	349,485
Fund balances end of year	$ 539,629	10,447	550,076

See accompanying independent auditor's report.

Schedule 6

Twin Cedars Community School District

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	$ 1,650,196	1,458,814	1,865,949	1,744,417	1,630,933	1,510,636	1,519,191	1,461,397	1,478,546	1,458,722
Tuition	335,733	349,666	384,554	305,616	332,529	405,005	353,033	403,511	424,002	408,503
Other	156,718	200,269	228,218	203,932	228,768	175,391	201,177	285,813	394,363	277,689
Intermediate sources	-	-	-	-	3,000	6,000	1,000	1,000	4,000	-
State sources	2,654,250	2,597,070	2,294,597	2,449,370	2,315,954	2,010,470	2,449,019	2,363,267	2,182,695	2,241,092
Federal sources	152,086	104,185	195,629	164,749	255,540	444,351	225,015	177,260	114,229	168,480
Total	$ 4,948,983	4,710,004	4,968,947	4,868,084	4,766,724	4,551,853	4,748,435	4,692,248	4,597,835	4,554,486
Expenditures:										
Instruction:										
Regular	$ 1,845,131	2,108,822	1,962,474	1,737,203	1,853,755	1,604,908	1,720,238	1,617,640	1,559,467	1,461,801
Special	548,020	749,639	666,006	602,569	551,781	636,689	611,392	570,309	452,342	497,621
Other	681,780	654,724	712,322	670,341	745,819	875,115	719,297	655,178	574,753	620,710
Support services:										
Student	91,314	86,662	75,514	122,760	125,817	108,059	150,045	133,446	110,566	47,096
Instructional staff	119,422	135,739	140,490	67,736	134,078	68,184	71,986	52,360	74,889	144,663
Administration	441,888	401,942	440,285	441,022	443,823	411,122	420,349	419,711	416,607	372,084
Operation and maintenance of plant	370,798	380,897	378,621	351,596	375,574	343,185	406,645	426,512	389,404	276,500
Transportation	371,764	355,379	267,575	343,492	284,505	284,383	393,309	313,953	346,069	228,280
Non-instructional programs	1,115	1,032	891	873	752	1,019	875	890	892	25,383
Other expenditures:										
Facilities acquisition	19,559	160,488	350,098	90,050	105,190	333,367	148,254	204,637	324,412	389,650
Long-term debt:										
Principal	-	-	310,000	120,000	115,000	110,000	105,000	151,355	97,253	57,145
Interest and other charges	-	-	14,653	17,247	21,592	25,919	29,932	36,232	40,008	39,148
AEA flowthrough	150,408	148,436	144,701	145,498	161,734	161,191	151,211	147,150	137,266	134,159
Total	$ 4,641,199	5,183,760	5,463,630	4,710,387	4,919,420	4,963,141	4,928,533	4,729,373	4,523,928	4,294,240

See accompanying independent auditor's report.

FALLER, KINCHELOE & CO, PLC
Certified Public Accountants

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of
Twin Cedars Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Twin Cedars Community School District (District) as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 3, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A), (C), (D) and (E) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (B) to be a significant deficiency.

2721 SW 30th Street
Des Moines, Iowa 50321
Phone (515) 362-5672
Fax (515) 362-5674

Joel C. Faller, CPA
Alan Kincheloe, CPA
Ryan Roof, CPA

1001 Office Park Road, Ste. 201
West Des Moines, Iowa 50265
Phone (515) 285-5546

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Faller, Kincheloe & Co., PLC

Faller, Kincheloe & Co., PLC

Des Moines, Iowa
March 3, 2016

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are sometimes all done by the same person. Also, vouchers are processed and checks are prepared by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Twin Cedars Community School District (District) should review its control procedures to obtain the maximum internal control possible under the circumstances. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response acknowledged

(B) Fixed Assets – Fixed assets were not periodically counted and reconciled to the fixed asset listing by an independent person. Also, a perpetual record of fixed assets is not kept. Generally accepted accounting principles require an accurate fixed asset listing be maintained.

Recommendation – To provide additional control over the proper recording of fixed assets, fixed assets should be periodically counted and reconciled to the fixed asset listing by a person who does not have custody of the fixed assets. Also, a perpetual fixed asset listing should be kept.

Response – We will review this situation.

Conclusion – Response acknowledged.

(C) Financial Reporting – During the audit, we identified material amounts of liabilities, fixed assets and debt amounts not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all balances and transactions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any of these types of transactions.

Conclusion – Response acknowledged.

(D) Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. The District does not have the internal resources to prepare the full-disclosure financial statements required by generally accepted accounting principles for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles in preparing full-disclosure financial statements for external reporting purposes is difficult. However, we recommend that District officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than to rely on external assistance.

Response – We recognize our limitations; however, it is not fiscally responsible to add additional staff for this purpose.

Conclusion – Response acknowledged.

(E) Activity Fund Fundraisers – For Activity Fund fundraisers, there are no documented procedures in place to reconcile the cash receipts to the amount of money that should have been collected based on the quantity of merchandise purchased for resale or gross profit percentages.

Recommendation – The District should implement procedures for Activity Fund fundraisers which documents the reconciliation of actual monies collected to the amount of money which should have been collected based on the quantity of merchandise purchased for resale or gross profit percentages.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Certified Budget – Expenditures for the year ended June 30, 2015 exceeded the certified budget amounts in the non-instructional programs function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response acknowledged.

(2) Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

(3) Travel Expense – No expenditures of Twin Cedars Community School District (District) money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

(4) Business Transactions – No business transactions between the District and District officials or employees were noted.

(5) Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

(6) Board Minutes – We noted no transactions requiring Board approval which have not been approved by the Board.

(7) Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

(8) Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

(9) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and District's investment policy were noted.

(10) Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

(11) Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted. However, in some cases the District did not record expenditures related to categorical funding until the end of the fiscal year. The Department of Education requires that all categorical funding be recorded to specific account codes. Since the District did not record categorical funding to specific account codes during the year, it appears the District is not in compliance with the Department of Education requirements.

Recommendation – The District should consult the Iowa Department of Education regarding corrective action to be taken.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

(12) Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenues. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit:

Beginning balance		$ 316,763
Revenues:		
Statewide sales, services and use tax		375,051
		691,814
Expenditures/transfers out:		
Transportation	$ 134,292	
School infrastructure construction	17,893	152,185
Ending balance		$ 539,629

For the year ended June 30, 2015, the District did not reduce any levies as a result of moneys received under Chapter 423E and 423F of the Code of Iowa

(13) Fuel – The District has an unleaded gas barrel and two diesel fuel barrels to be used for its vehicle and equipment fleet. The District attempts to maintain a perpetual record of unleaded gas and diesel fuel. However, no comparison is made between the fuel balances as recorded on the perpetual records with the actual number of gallons in the fuel tanks at any one time.

Recommendation – The District should periodically compare the balances as recorded on the perpetual fuel records with the actual gallons of fuel on hand, and any significant differences should be investigated.

Response – We will take the above under advisement.

Conclusion – Response acknowledged.

(14) Financial Condition – As noted on the Statement of Net Position, the Governmental Activities had a deficit unrestricted net positon of $2,066,715 at June 30, 2015. The Enterprise, School Nutrition Fund had a deficit unrestricted net position of $7,881 at June 30, 2015. In addition, the Special Revenue, Student Activity Fund had one account with a deficit balance at June 30, 2015.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these funds and accounts to a sound financial condition.

Response – The District will try to decrease expenditures and increase revenues so the Governmental Activities, the Nutrition Fund and the Special Revenue, Student Activity Fund accounts do not show a deficit balance at year-end.

Conclusion – Response acknowledged.